

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

**206.1 Income tax act of 1967; short title.**

Sec. 1. This act is for the purpose of meeting deficiencies in state funds and shall be known and may be cited as the "income tax act of 1967".

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

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**206.2 Income tax act; rules of construction; internal revenue code, applicability.**

Sec. 2. (1) For the purposes of this act, the words, terms and phrases set forth in this chapter and their derivations have the meaning given therein. When not inconsistent with the context, words used in the present tense include the future, words in the plural number include the singular number, and in the singular number include the plural. "Shall" is always mandatory and "may" is always discretionary.

(2) Any term used in this act shall have the same meaning as when used in comparable context in the laws of the United States relating to federal income taxes unless a different meaning is clearly required. Any reference in this act to the internal revenue code shall include other provisions of the laws of the United States relating to federal income taxes.

(3) It is the intention of this act that the income subject to tax be the same as taxable income as defined and applicable to the subject taxpayer in the internal revenue code, except as otherwise provided in this act.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

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**206.4 "Board" and "business income" defined.**

Sec. 4. (1) "Board" means the state board of tax appeals.

(2) "Business income" means all income arising from transactions, activities, and sources in the regular course of the taxpayer's trade or business and includes the following:

(a) All income from tangible and intangible property if the acquisition, rental, management, or disposition of the property constitutes integral parts of the taxpayer's regular trade or business operations.

(b) Gains or losses from stock and securities of any foreign or domestic corporation and dividend and interest income.

(c) Income derived from isolated sales, leases, assignment, licenses, divisions, or other infrequently occurring dispositions, transfers, or transactions involving property if the property is or was used in the taxpayer's trade or business operation.

(d) Income derived from the sale of a business.

(3) Not later than 2 years after the effective date of the amendatory act that added subsection (2)(b), the department shall report the impact of the amendatory act that added subsection (2)(b) on the tax liability under this act of resident and nonresident taxpayers to the house tax policy committee and the senate finance committee.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 2003, Act 52, Imd. Eff. July 14, 2003.

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**206.6 "Commercial domicile," "commissioner," "compensation," and "corporation" defined.**

Sec. 6. (1) "Commercial domicile" means the principal place from which the trade or business of the taxpayer is directed or managed.

(2) "Commissioner" means the commissioner of the department.

(3) "Compensation" means wages as defined in section 3401 and other payments as provided in section 3402 of the internal revenue code.

(4) "Corporation" means, in addition to an incorporated entity, an association, trust or any unincorporated organization which is defined as a corporation in the internal revenue code.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1971, Act 16, Imd. Eff. Apr. 28, 1971

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## **206.8 “Department,” “employee,” and “employer” defined.**

Sec. 8. (1) “Department” means the revenue division of the department of treasury.

(2) “Employee” means an employee as defined in section 3401(c) of the internal revenue code. Any person from whom an employer is required to withhold for federal income tax purposes shall prima facie be deemed an employee.

(3) “Employer” means an employer as defined in section 3401(d) of the internal revenue code. Any person required to withhold for federal income tax purposes shall prima facie be deemed an employer.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975.

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## **206.10 “Fiduciary” defined.**

Sec. 10. “Fiduciary” means a guardian, trustee, executor, administrator, executrix, administratrix, receiver, conservator, or any person acting in any fiduciary capacity, whether or not a resident of this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1971, Act 76, Imd. Eff. July 30, 1971;—Am. 1972, Act 181, Imd. Eff. Aug. 1, 1972;—Am. 1974, Act 33, Imd. Eff. Mar. 8, 1974;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975.

**Compiler's note:** Section 4 of Act 76 of 1971 provides:

#### **“Expiration of act; conditions.**

“Section 4. The provisions of this amendatory act shall expire August 1, 1972 unless prior thereto the legislature has submitted to the electors constitutional amendments which shall (a) grant property tax relief by limiting of levying of more than 10 mills on property for school operational purposes, (b) permit the legislature to enact taxes on income graduated either as to rate or base or both, or (c) a combination of (a) and (b) as one amendment and (a) as a separate amendment and which said amendments shall be voted upon at a special election to be held on November 2, 1971 or at the general election to be held November 1972.”

The legislature did not submit to the electors at a November 2, 1971 special election or at the November, 1972 general election proposed constitutional amendment(s) to effect the purposes enumerated in Section 4 of Act 76 of 1971.

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## **206.12 Definitions.**

Sec. 12. (1) “Flow-through entity” means an S corporation, partnership, limited partnership, limited liability partnership, or limited liability company. Flow-through entity does not include a publicly traded partnership as that term is defined in section 7704 of the internal revenue code that has equity securities registered with the securities and exchange commission under section 12 of title I of the securities exchange act of 1934, chapter 404, 48 Stat. 881, 15 U.S.C. 78l.

(2) “Gross income” means gross income as defined in the internal revenue code.

(3) “Internal revenue code” means the United States internal revenue code of 1986 in effect on January 1, 1996 or at the option of the taxpayer, in effect for the tax year.

(4) “Member of a flow-through entity” means a shareholder of an S corporation; a partner in a partnership or limited partnership; or a member of a limited liability company.

(5) “Nonresident member” means any of the following that is a member of a flow-through entity:

(a) An individual who is not domiciled in this state.

(b) A nonresident estate or trust.

(c) A flow-through entity with a nonresident member.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1970, Act 140, Imd. Eff. Aug. 1, 1970;—Am. 1971, Act 16, Imd. Eff. Apr. 28, 1971;—Am. 1976, Act 434, Imd. Eff. Jan. 11, 1977;—Am. 1980, Act 250, Imd. Eff. July 28, 1980;—Am. 1982, Act 387, Imd. Eff. Dec. 28, 1982;—Am. 1984, Act 283, Imd. Eff. Dec. 20, 1984;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1996, Act 484, Eff. Jan. 1, 1997;—Am. 2003, Act 45, Eff. Oct. 1, 2003.

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## **206.14 Nonbusiness income, nonresident and nonresident estate or trust; definitions.**

Sec. 14. (1) “Nonbusiness income” means all income other than business income.

(2) “Nonresident” means any individual who is not a resident.

(3) “Nonresident estate or trust” means any estate or trust not included in the definition of a resident estate or trust.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

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**206.16 Person; definition.**

Sec. 16. "Person" includes any individual, firm, association, corporation, receiver, estate, trust or any other group or combination acting as a unit, and the plural as well as the singular number.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

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**206.18 Resident and domicile; definitions.**

Sec. 18. (1) "Resident" means:

(a) An individual domiciled in the state. "Domicile" means a place where a person has his true, fixed and permanent home and principal establishment to which, whenever absent therefrom he intends to return, and domicile continues until another permanent establishment is established. If an individual during the taxable year being a resident becomes a nonresident or vice versa, taxable income shall be determined separately for income in each status. If an individual lives in this state at least 183 days during the tax year or more than 1/2 the days during a taxable year of less than 12 months he shall be deemed a resident individual domiciled in this state.

(b) The estate of a decedent who at his death was domiciled in this state.

(c) Any trust created by will of a decedent who at his death was domiciled in this state and any trust created by, or consisting of property of, a person domiciled in this state, at the time the trust becomes irrevocable.

(2) For the purpose of the definition of "resident", a taxable year shall be deemed to be terminated at the date of death.

(3) The term "resident" when referring to a corporation means a corporation organized under the laws of this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

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**206.20 Sales and state; definitions.**

Sec. 20. (1) "Sales" means all gross receipts of the taxpayer not allocated under sections 110 to 114.

(2) "State" means any state of the United States, the District of Columbia, the Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country, or political subdivision, thereof.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

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**206.22 "Tax" and "taxable value" defined.**

Sec. 22. (1) "Tax" includes interest and penalties and further includes the tax required to be withheld by an employer on salaries and wages and the tax required to be withheld by a flow-through entity on nonresident members' share of income available for distribution, unless the intention to give it a more limited meaning is disclosed by the context.

(2) "Taxable value" means taxable value as calculated under section 27a of the general property tax act, 1893 PA 206, MCL 211.27a.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1996, Act 484, Imd. Eff. Dec. 27, 1996;—Am. 2003, Act 51, Eff. Oct. 1, 2003.

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**206.24 Tax year or taxable year; definition.**

Sec. 24. "Tax year" or "taxable year" means the calendar year, or the fiscal year ending during such calendar year, upon the basis of which taxable income is computed under this act. In the case of a return made for a fractional part of a year, the term shall mean the period for which such return is made. Except for the first return required by this act, any taxpayer's tax year shall be for the same period as is covered by his federal income tax return.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

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#### **206.26 "Taxpayer" defined.**

Sec. 26. "Taxpayer" means any person subject to the taxes imposed by this act, any employer required to withhold taxes on salaries and wages, or any flow-through entity required to withhold taxes on a nonresident member's share of income available for distribution.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 2003, Act 50, Eff. Oct. 1, 2003.

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#### **206.28 Taxable income or net income; definition.**

Sec. 28. "Taxable income" or "net income" means, unless specifically defined otherwise in this act, taxable income as defined in the internal revenue code for the subject taxpayer for federal income tax purposes, subject to any adjustment resulting from the election in section 271 but without deduction or credit for any tax on or measured by net income.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

#### **INCOME TAX ACT OF 1967 (EXCERPT) Act 281 of 1967**

#### **206.30 "Taxable income" defined; personal exemption; single additional exemption; certain deduction not considered allowable federal exemption for purposes of subsection (2); allowable exemption or deduction for nonresident or part-year resident; subtraction of prizes under MCL 432.1 to 432.47 from adjusted gross income prohibited; adjusted personal exemption; "retirement or pension benefits" defined.**

Sec. 30. (1) "Taxable income" means, for a person other than a corporation, estate, or trust, adjusted gross income as defined in the internal revenue code subject to the following adjustments under this section:

(a) Add gross interest income and dividends derived from obligations or securities of states other than Michigan, in the same amount that has been excluded from adjusted gross income less related expenses not deducted in computing adjusted gross income because of section 265(a)(1) of the internal revenue code.

(b) Add taxes on or measured by income to the extent the taxes have been deducted in arriving at adjusted gross income.

(c) Add losses on the sale or exchange of obligations of the United States government, the income of which this state is prohibited from subjecting to a net income tax, to the extent that the loss has been deducted in arriving at adjusted gross income.

(d) Deduct, to the extent included in adjusted gross income, income derived from obligations, or the sale or exchange of obligations, of the United States government that this state is prohibited by law from subjecting to a net income tax, reduced by any interest on indebtedness incurred in carrying the obligations and by any expenses incurred in the production of that income to the extent that the expenses, including amortizable bond premiums, were deducted in arriving at adjusted gross income.

(e) Deduct, to the extent included in adjusted gross income, compensation, including retirement benefits, received for services in the armed forces of the United States.

(f) Deduct the following to the extent included in adjusted gross income:

(i) Retirement or pension benefits received from a federal public retirement system or from a public retirement system of or created by this state or a political subdivision of this state.

(ii) Retirement or pension benefits received from a public retirement system of or created by another state or any of its political subdivisions if the income tax laws of the other state permit a similar deduction or exemption or a reciprocal deduction or exemption of a retirement or pension benefit received from a public retirement system of or created by this state or any of the political subdivisions of this state.

(iii) Social security benefits as defined in section 86 of the internal revenue code.

(iv) Before October 1, 1994, retirement or pension benefits from any other retirement or pension system as follows:

(A) For a single return, the sum of not more than \$7,500.00.

(B) For a joint return, the sum of not more than \$10,000.00.

(v) After September 30, 1994, retirement or pension benefits not deductible under subparagraph (i) or subdivision (e) from any other retirement or pension system or benefits from a retirement annuity policy in which payments are made for life to a senior citizen, to a maximum of \$30,000.00 for a single return and \$60,000.00 for a joint return. The maximum amounts allowed under this subparagraph shall be reduced by the amount of the deduction for retirement or pension benefits claimed under subparagraph (i) or subdivision (e) and for tax years after the 1996 tax year by the amount of a deduction claimed under subdivision (r). For the

1995 tax year and each tax year after 1995, the maximum amounts allowed under this subparagraph shall be adjusted by the percentage increase in the United States consumer price index for the immediately preceding calendar year. The department shall annualize the amounts provided in this subparagraph and subparagraph (iv) as necessary for tax years that end after September 30, 1994. As used in this subparagraph, "senior citizen" means that term as defined in section 514.

(vi) The amount determined to be the section 22 amount eligible for the elderly and the permanently and totally disabled credit provided in section 22 of the internal revenue code.

(g) Adjustments resulting from the application of section 271.

(h) Adjustments with respect to estate and trust income as provided in section 36.

(i) Adjustments resulting from the allocation and apportionment provisions of chapter 3.

(j) Deduct political contributions as described in section 4 of the Michigan campaign finance act, 1976 PA 388, MCL 169.204, or 2 USC 431, not in excess of \$50.00 per annum, or \$100.00 per annum for a joint return.

(k) Deduct, to the extent included in adjusted gross income, wages not deductible under section 280C of the internal revenue code.

(l) Deduct the following payments made by the taxpayer in the tax year:

(i) The amount of payment made under an advance tuition payment contract as provided in the Michigan education trust act, 1986 PA 316, MCL 390.1421 to 390.1442.

(ii) The amount of payment made under a contract with a private sector investment manager that meets all of the following criteria:

(A) The contract is certified and approved by the board of directors of the Michigan education trust to provide equivalent benefits and rights to purchasers and beneficiaries as an advance tuition payment contract as described in subparagraph (i).

(B) The contract applies only for a state institution of higher education as defined in the Michigan education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, or a community or junior college in Michigan.

(C) The contract provides for enrollment by the contract's qualified beneficiary in not less than 4 years after the date on which the contract is entered into.

(D) The contract is entered into after either of the following:

(I) The purchaser has had his or her offer to enter into an advance tuition payment contract rejected by the board of directors of the Michigan education trust, if the board determines that the trust cannot accept an unlimited number of enrollees upon an actuarially sound basis.

(II) The board of directors of the Michigan education trust determines that the trust can accept an unlimited number of enrollees upon an actuarially sound basis.

(m) If an advance tuition payment contract under the Michigan education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, or another contract for which the payment was deductible under subdivision (l) is terminated and the qualified beneficiary under that contract does not attend a university, college, junior or community college, or other institution of higher education, add the amount of a refund received by the taxpayer as a result of that termination or the amount of the deduction taken under subdivision (l) for payment made under that contract, whichever is less.

(n) Deduct from the taxable income of a purchaser the amount included as income to the purchaser under the internal revenue code after the advance tuition payment contract entered into under the Michigan education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, is terminated because the qualified beneficiary attends an institution of postsecondary education other than either a state institution of higher education or an institution of postsecondary education located outside this state with which a state institution of higher education has reciprocity.

(o) Add, to the extent deducted in determining adjusted gross income, the net operating loss deduction under section 172 of the internal revenue code.

(p) Deduct a net operating loss deduction for the taxable year as determined under section 172 of the internal revenue code subject to the modifications under section 172(b)(2) of the internal revenue code and subject to the allocation and apportionment provisions of chapter 3 of this act for the taxable year in which the loss was incurred.

(q) For a tax year beginning after 1986, deduct, to the extent included in adjusted gross income, benefits from a discriminatory self-insurance medical expense reimbursement plan.

(r) After September 30, 1994 and before the 1997 tax year, a taxpayer who is a senior citizen may deduct, to the extent included in adjusted gross income, interest and dividends received in the tax year not to exceed \$1,000.00 for a single return or \$2,000.00 for a joint return. However, for tax years before the 1997 tax year, the deduction under this subdivision shall not be taken if the taxpayer takes a deduction for retirement benefits



under subdivision (e) or a deduction under subdivision (f)(i), (ii), (iv), or (v). For tax years after the 1996 tax year, a taxpayer who is a senior citizen may deduct to the extent included in adjusted gross income, interest, dividends, and capital gains received in the tax year not to exceed \$3,500.00 for a single return and \$7,000.00 for a joint return for the 1997 tax year, and \$7,500.00 for a single return and \$15,000.00 for a joint return for tax years after the 1997 tax year. For tax years after the 1996 tax year, the maximum amounts allowed under this subdivision shall be reduced by the amount of a deduction claimed for retirement benefits under subdivision (e) or a deduction claimed under subdivision (f)(i), (ii), (iv), or (v). For the 1995 tax year, for the 1996 tax year, and for each tax year after the 1998 tax year, the maximum amounts allowed under this subdivision shall be adjusted by the percentage increase in the United States consumer price index for the immediately preceding calendar year. The department shall annualize the amounts provided in this subdivision as necessary for tax years that end after September 30, 1994. As used in this subdivision, "senior citizen" means that term as defined in section 514.

(s) Deduct, to the extent included in adjusted gross income, all of the following:

(i) The amount of a refund received in the tax year based on taxes paid under this act.

(ii) The amount of a refund received in the tax year based on taxes paid under the city income tax act, 1964 PA 284, MCL 141.501 to 141.787.

(iii) The amount of a credit received in the tax year based on a claim filed under sections 520 and 522 to the extent that the taxes used to calculate the credit were not used to reduce adjusted gross income for a prior year.

(t) Add the amount paid by the state on behalf of the taxpayer in the tax year to repay the outstanding principal on a loan taken on which the taxpayer defaulted that was to fund an advance tuition payment contract entered into under the Michigan education trust act, 1986 PA 316, MCL 390.1421 to 390.1442, if the cost of the advance tuition payment contract was deducted under subdivision (l) and was financed with a Michigan education trust secured loan.

(u) For the 1998 tax year and each tax year after the 1998 tax year, deduct the amount calculated under section 30d.

(v) For tax years that begin on and after January 1, 1994, deduct, to the extent included in adjusted gross income, any amount, and any interest earned on that amount, received in the tax year by a taxpayer who is a Holocaust victim as a result of a settlement of claims against any entity or individual for any recovered asset pursuant to the German act regulating unresolved property claims, also known as Gesetz zur Regelung offener Vermögensfragen, as a result of the settlement of the action entitled In re: Holocaust victim assets litigation, CV-96-4849, CV-96-5161, and CV-97-0461 (E.D. NY), or as a result of any similar action if the income and interest are not commingled in any way with and are kept separate from all other funds and assets of the taxpayer. As used in this subdivision:

(i) "Holocaust victim" means a person, or the heir or beneficiary of that person, who was persecuted by Nazi Germany or any Axis regime during any period from 1933 to 1945.

(ii) "Recovered asset" means any asset of any type and any interest earned on that asset including, but not limited to, bank deposits, insurance proceeds, or artwork owned by a Holocaust victim during the period from 1920 to 1945, withheld from that Holocaust victim from and after 1945, and not recovered, returned, or otherwise compensated to the Holocaust victim until after 1993.

(w) For tax years that begin after December 31, 1999, deduct, to the extent not deducted in determining adjusted gross income, both of the following:

(i) The total of all contributions made on and after October 1, 2000 by the taxpayer in the tax year less qualified withdrawals made in the tax year to education savings accounts pursuant to the Michigan education savings program act, 2000 PA 161, MCL 390.1471 to 390.1486, not to exceed \$5,000.00 for a single return or \$10,000.00 for a joint return per tax year.

(ii) The amount under section 30f.

(x) For tax years that begin after December 31, 1999, add, to the extent not included in adjusted gross income, the amount of money withdrawn by the taxpayer in the tax year from education savings accounts, not to exceed the total amount deducted under subdivision (w) in the tax year and all previous tax years, if the withdrawal was not a qualified withdrawal as provided in the Michigan education savings program act, 2000 PA 161, MCL 390.1471 to 390.1486. This subdivision does not apply to withdrawals that are less than the sum of all contributions made to an education savings account in all previous tax years for which no deduction was claimed under subdivision (w), less any contributions for which no deduction was claimed under subdivision (w) that were withdrawn in all previous tax years.

(y) For tax years that begin after December 31, 1999, deduct, to the extent included in adjusted gross income, the amount of a distribution from individual retirement accounts that qualify under section 408 of the internal revenue code if the distribution is used to pay qualified higher education expenses as that term is

defined in the Michigan education savings program act, 2000 PA 161, MCL 390.1471 to 390.1486.

(z) For tax years that begin after December 31, 2000, deduct, to the extent included in adjusted gross income, an amount equal to the qualified charitable distribution made in the tax year by a taxpayer to a charitable organization. The amount allowed under this subdivision shall be equal to the amount deductible by the taxpayer under section 170(c) of the internal revenue code with respect to the qualified charitable distribution in the tax year in which the taxpayer makes the distribution to the qualified charitable organization, reduced by both the amount of the deduction for retirement or pension benefits claimed by the taxpayer under subdivision (f)(i), (ii), (iv), or (v) and by 2 times the total amount of credits claimed under sections 260 and 261 for the tax year. As used in this subdivision, "qualified charitable distribution" means a distribution of assets to a qualified charitable organization by a taxpayer not more than 60 days after the date on which the taxpayer received the assets as a distribution from a retirement or pension plan described in subsection (8)(a). A distribution is to a qualified charitable organization if the distribution is made in any of the following circumstances:

(i) To an organization described in section 501(c)(3) of the internal revenue code except an organization that is controlled by a political party, an elected official or a candidate for an elective office.

(ii) To a charitable remainder annuity trust or a charitable remainder unitrust as defined in section 664(d) of the internal revenue code; to a pooled income fund as defined in section 642(c)(5) of the internal revenue code; or for the issuance of a charitable gift annuity as defined in section 501(m)(5) of the internal revenue code. A trust, fund, or annuity described in this subparagraph is a qualified charitable organization only if no person holds any interest in the trust, fund, or annuity other than 1 or more of the following:

(A) The taxpayer who received the distribution from the retirement or pension plan.

(B) The spouse of an individual described in sub-subparagraph (A).

(C) An organization described in section 501(c)(3) of the internal revenue code.

(aa) A taxpayer who is a resident tribal member may deduct, to the extent included in adjusted gross income, all nonbusiness income earned or received in the tax year and during the period in which an agreement entered into between the taxpayer's tribe and this state pursuant to section 30c of 1941 PA 122, MCL 205.30c, is in full force and effect. As used in this subdivision:

(i) "Business income" means business income as defined in section 4 and apportioned under chapter 3.

(ii) "Nonbusiness income" means nonbusiness income as defined in section 14 and, to the extent not included in business income, all of the following:

(A) All income derived from wages whether the wages are earned within the agreement area or outside of the agreement area.

(B) All interest and passive dividends.

(C) All rents and royalties derived from real property located within the agreement area.

(D) All rents and royalties derived from tangible personal property, to the extent the personal property is utilized within the agreement area.

(E) Capital gains from the sale or exchange of real property located within the agreement area.

(F) Capital gains from the sale or exchange of tangible personal property located within the agreement area at the time of sale.

(G) Capital gains from the sale or exchange of intangible personal property.

(H) All pension income and benefits including, but not limited to, distributions from a 401(k) plan, individual retirement accounts under section 408 of the internal revenue code, or a defined contribution plan, or payments from a defined benefit plan.

(I) All per capita payments by the tribe to resident tribal members, without regard to the source of payment.

(J) All gaming winnings.

(iii) "Resident tribal member" means an individual who meets all of the following criteria:

(A) Is an enrolled member of a federally recognized tribe.

(B) The individual's tribe has an agreement with this state pursuant to section 30c of 1941 PA 122, MCL 205.30c, that is in full force and effect.

(C) The individual's principal place of residence is located within the agreement area as designated in the agreement under sub-subparagraph (B).

(bb) For tax years that begin after December 31, 2006, deduct, to the extent included in adjusted gross income, all or a portion of the gain, as determined under this section, realized from an initial equity investment of not less than \$100,000.00 made by the taxpayer before December 31, 2009, in a qualified business, if an amount equal to the sum of the taxpayer's basis in the investment as determined under the internal revenue code plus the gain, or a portion of that amount, is reinvested in an equity investment in a qualified business within 1 year after the sale or disposition of the investment in the qualified business. If the

amount of the subsequent investment is less than the sum of the taxpayer's basis from the prior equity investment plus the gain from the prior equity investment, the amount of a deduction under this section shall be reduced by the difference between the sum of the taxpayer's basis from the prior equity investment plus the gain from the prior equity investment and the subsequent investment. As used in this subdivision:

(i) "Advanced automotive, manufacturing, and materials technology" means any technology that involves 1 or more of the following:

(A) Materials with engineered properties created through the development of specialized process and synthesis technology.

(B) Nanotechnology, including materials, devices, or systems at the atomic, molecular, or macromolecular level, with a scale measured in nanometers.

(C) Microelectromechanical systems, including devices or systems integrating microelectronics with mechanical parts and a scale measured in micrometers.

(D) Improvements to vehicle safety, vehicle performance, vehicle production, or environmental impact, including, but not limited to, vehicle equipment and component parts.

(E) Any technology that involves an alternative energy vehicle or its components. "Alternative energy vehicle" means that term as defined in section 2 of the Michigan next energy authority act, 2002 PA 593, MCL 207.822.

(F) A new technology, device, or system that enhances or improves the manufacturing process of wood, timber, or agricultural-based products.

(G) Advanced computing or electronic device technology related to technology described under this subparagraph.

(H) Design, engineering, testing, or diagnostics related to technology described under this subparagraph.

(I) Product research and development related to technology described under this subparagraph.

(ii) "Advanced computing" means any technology used in the design and development of 1 or more of the following:

(A) Computer hardware and software.

(B) Data communications.

(C) Information technologies.

(iii) "Alternative energy technology" means applied research or commercialization of new or next generation technology in 1 or more of the following:

(A) Alternative energy technology as that term is defined in section 2 of the Michigan next energy authority act, 2002 PA 593, MCL 207.822.

(B) Devices or systems designed and used solely for the purpose of generating energy from agricultural crops, residue and waste generated from the production and processing of agricultural products, animal wastes, or food processing wastes, not including a conventional gasoline or diesel fuel engine or a retrofitted conventional gasoline or diesel fuel engine.

(C) A new technology, product, or system that permits the utilization of biomass for the production of specialty, commodity, or foundational chemicals or of novel or economical commodity materials through the application of biotechnology that minimizes, complements, or replaces reliance on petroleum for the production.

(D) Advanced computing or electronic device technology related to technology described under this subparagraph.

(E) Design, engineering, testing, or diagnostics related to technology described under this subparagraph.

(F) Product research and development related to a technology described under this subparagraph.

(iv) "Competitive edge technology" means 1 or more of the following:

(A) Advanced automotive, manufacturing, and materials technology.

(B) Alternative energy technology.

(C) Homeland security and defense technology.

(D) Life sciences technology.

(v) "Electronic device technology" means any technology that involves microelectronics, semiconductors, electronic equipment, and instrumentation, radio frequency, microwave, and millimeter electronics; optical and optic-electrical devices; or data and digital communications and imaging devices.

(vi) "Homeland security and defense technology" means technology that assists in the assessment of threats or damage to the general population and critical infrastructure, protection of, defense against, or mitigation of the effects of foreign or domestic threats, disasters, or attacks, or support for crisis or response management, including, but not limited to, 1 or more of the following:

(A) Sensors, systems, processes, or equipment for communications, identification and authentication, screening, surveillance, tracking, and data analysis.



(B) Advanced computing or electronic device technology related to technology described under this subparagraph.

(C) Aviation technology including, but not limited to, avionics, airframe design, sensors, early warning systems, and services related to the technology described in this subparagraph.

(D) Design, engineering, testing, or diagnostics related to technology described under this subparagraph.

(E) Product research and development related to technology described under this subparagraph.

(vii) "Life sciences technology" means any technology derived from life sciences intended to improve human health or the overall quality of human life, including, but not limited to, systems, processes, or equipment for drug or gene therapies, biosensors, testing, medical devices or instrumentation with a therapeutic or diagnostic value, a pharmaceutical or other product that requires United States food and drug administration approval or registration prior to its introduction in the marketplace and is a drug or medical device as defined by the federal food, drug, and cosmetic act, 21 USC 301 to 399, or 1 or more of the following:

(A) Advanced computing or electronic device technology related to technology described under this subparagraph.

(B) Design, engineering, testing, or diagnostics related to technology or the commercial manufacturing of technology described under this subparagraph.

(C) Product research and development related to technology described under this subparagraph.

(viii) "Life sciences" means science for the examination or understanding of life or life processes, including, but not limited to, all of the following:

(A) Bioengineering.

(B) Biomedical engineering.

(C) Genomics.

(D) Proteomics.

(E) Molecular and chemical ecology.

(F) Biotechnology, including any technology that uses living organisms, cells, macromolecules, microorganisms, or substances from living organisms to make or modify a product for useful purposes. Biotechnology or life sciences do not include any of the following:

(I) Activities prohibited under section 2685 of the public health code, 1978 PA 368, MCL 333.2685.

(II) Activities prohibited under section 2688 of the public health code, 1978 PA 368, MCL 333.2688.

(III) Activities prohibited under section 2690 of the public health code, 1978 PA 368, MCL 333.2690.

(IV) Activities prohibited under section 16274 of the public health code, 1978 PA 368, MCL 333.16274.

(V) Stem cell research with human embryonic tissue.

(ix) "Qualified business" means a business that complies with all of the following:

(A) The business is a seed or early stage business as defined in section 3 of the Michigan early stage venture investment act of 2003, 2003 PA 296, MCL 125.2233.

(B) The business has its headquarters in this state, is domiciled in this state, or has a majority of its employees working a majority of their time in this state.

(C) The business has a preinvestment valuation of less than \$10,000,000.00.

(D) The business has been in existence less than 5 years. This sub-subparagraph does not apply to a business, the business activity of which is derived from research at an institution of higher education located within this state or an organization exempt from federal taxation under section 501c(3) of the internal revenue code and that is located within this state.

(E) The business is engaged only in competitive edge technology.

(F) The business is certified by the Michigan strategic fund as meeting the requirements of sub-subparagraphs (A) to (E) at the time of each proposed investment.

(2) The following personal exemptions multiplied by the number of personal or dependency exemptions allowable on the taxpayer's federal income tax return pursuant to the internal revenue code shall be subtracted in the calculation that determines taxable income:

(a) For a tax year beginning during 1987 ..... \$ 1,600.00.

(b) For a tax year beginning during 1988 ..... \$ 1,800.00.

(c) For a tax year beginning during 1989 ..... \$ 2,000.00.

(d) For a tax year beginning after 1989  
and before 1995 ..... \$ 2,100.00.

(e) For a tax year beginning during 1995  
or 1996 ..... \$ 2,400.00.

(f) Except as otherwise provided in

subsection (7), for a tax year beginning after  
1996 ..... \$ 2,500.00.

(3) A single additional exemption determined as follows shall be subtracted in the calculation that determines taxable income in each of the following circumstances:

(a) For tax years beginning after 1989 and before 2000, \$900.00 in each of the following circumstances:

(i) The taxpayer is a paraplegic, a quadriplegic, a hemiplegic, a person who is blind as defined in section 504, or a person who is totally and permanently disabled as defined in section 522.

(ii) The taxpayer is a deaf person as defined in section 2 of the deaf persons' interpreters act, 1982 PA 204, MCL 393.502.

(iii) The taxpayer is 65 years of age or older.

(iv) The return includes unemployment compensation that amounts to 50% or more of adjusted gross income.

(b) For tax years beginning after 1999, \$1,800.00 for each taxpayer and every dependent of the taxpayer who is 65 years of age or older. When a dependent of a taxpayer files an annual return under this act, the taxpayer or dependent of the taxpayer, but not both, may claim the additional exemption allowed under this subdivision. As used in this subdivision and subdivision (c), "dependent" means that term as defined in section 30e.

(c) For tax years beginning after 1999, \$1,800.00 for each taxpayer and every dependent of the taxpayer who is a deaf person as defined in section 2 of the deaf persons' interpreters act, 1982 PA 204, MCL 393.502; a paraplegic, a quadriplegic, or a hemiplegic; a person who is blind as defined in section 504; or a person who is totally and permanently disabled as defined in section 522. When a dependent of a taxpayer files an annual return under this act, the taxpayer or dependent of the taxpayer, but not both, may claim the additional exemption allowed under this subdivision.

(d) For tax years beginning after 1999, \$1,800.00 if the taxpayer's return includes unemployment compensation that amounts to 50% or more of adjusted gross income.

(4) For a tax year beginning after 1987, an individual with respect to whom a deduction under section 151 of the internal revenue code is allowable to another federal taxpayer during the tax year is not considered to have an allowable federal exemption for purposes of subsection (2), but may subtract \$500.00 in the calculation that determines taxable income for a tax year beginning in 1988, \$1,000.00 for a tax year beginning after 1988 and before 2000, and \$1,500.00 for a tax year beginning after 1999.

(5) A nonresident or a part-year resident is allowed that proportion of an exemption or deduction allowed under subsection (2), (3), or (4) that the taxpayer's portion of adjusted gross income from Michigan sources bears to the taxpayer's total adjusted gross income.

(6) For a tax year beginning after 1987, in calculating taxable income, a taxpayer shall not subtract from adjusted gross income the amount of prizes won by the taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act, 1972 PA 239, MCL 432.1 to 432.47.

(7) For each tax year after the 1997 tax year, the personal exemption allowed under subsection (2) shall be adjusted by multiplying the exemption for the tax year beginning in 1997 by a fraction, the numerator of which is the United States consumer price index for the state fiscal year ending in the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the United States consumer price index for the 1995-96 state fiscal year. The resultant product shall be rounded to the nearest \$100.00 increment. The personal exemption for the tax year shall be determined by adding \$200.00 to that rounded amount. As used in this section, "United States consumer price index" means the United States consumer price index for all urban consumers as defined and reported by the United States department of labor, bureau of labor statistics. For each year after the 2000 tax year, the exemptions allowed under subsection (3) shall be adjusted by multiplying the exemption amount under subsection (3) for the tax year beginning in 2000 by a fraction, the numerator of which is the United States consumer price index for the state fiscal year ending the tax year prior to the tax year for which the adjustment is being made and the denominator of which is the United States consumer price index for the 1998-1999 state fiscal year. The resultant product shall be rounded to the nearest \$100.00 increment.

(8) As used in subsection (1)(f), "retirement or pension benefits" means distributions from all of the following:

(a) Except as provided in subdivision (d), qualified pension trusts and annuity plans that qualify under section 401(a) of the internal revenue code, including all of the following:

(i) Plans for self-employed persons, commonly known as Keogh or HR 10 plans.

(ii) Individual retirement accounts that qualify under section 408 of the internal revenue code if the distributions are not made until the participant has reached 59-1/2 years of age, except in the case of death,

disability, or distributions described by section 72(t)(2)(A)(iv) of the internal revenue code.

(iii) Employee annuities or tax-sheltered annuities purchased under section 403(b) of the internal revenue code by organizations exempt under section 501(c)(3) of the internal revenue code, or by public school systems.

(iv) Distributions from a 401(k) plan attributable to employee contributions mandated by the plan or attributable to employer contributions.

(b) The following retirement and pension plans not qualified under the internal revenue code:

(i) Plans of the United States, state governments other than this state, and political subdivisions, agencies, or instrumentalities of this state.

(ii) Plans maintained by a church or a convention or association of churches.

(iii) All other unqualified pension plans that prescribe eligibility for retirement and predetermine contributions and benefits if the distributions are made from a pension trust.

(c) Retirement or pension benefits received by a surviving spouse if those benefits qualified for a deduction prior to the decedent's death. Benefits received by a surviving child are not deductible.

(d) Retirement and pension benefits do not include:

(i) Amounts received from a plan that allows the employee to set the amount of compensation to be deferred and does not prescribe retirement age or years of service. These plans include, but are not limited to, all of the following:

(A) Deferred compensation plans under section 457 of the internal revenue code.

(B) Distributions from plans under section 401(k) of the internal revenue code other than plans described in subdivision (a)(iv).

(C) Distributions from plans under section 403(b) of the internal revenue code other than plans described in subdivision (a)(iii).

(ii) Premature distributions paid on separation, withdrawal, or discontinuance of a plan prior to the earliest date the recipient could have retired under the provisions of the plan.

(iii) Payments received as an incentive to retire early unless the distributions are from a pension trust.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1970, Act 140, Imd. Eff. Aug. 1, 1970;—Am. 1971, Act 150, Imd. Eff. Nov. 22, 1971;—Am. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1974, Act 12, Imd. Eff. Feb. 15, 1974;—Am. 1974, Act 217, Imd. Eff. July 21, 1974;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 1976, Act 435, Imd. Eff. Jan. 11, 1977;—Am. 1978, Act 554, Imd. Eff. Dec. 22, 1978;—Am. 1980, Act 250, Imd. Eff. July 28, 1980;—Am. 1980, Act 517, Imd. Eff. Jan. 26, 1981;—Am. 1981, Act 135, Imd. Eff. Oct. 21, 1981;—Am. 1982, Act 240, Imd. Eff. Sept. 23, 1982;—Am. 1984, Act 284, Imd. Eff. Dec. 20, 1984;—Am. 1984, Act 415, Imd. Eff. Dec. 28, 1984;—Am. 1986, Act 315, Imd. Eff. Dec. 23, 1986;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1988, Act 516, Imd. Eff. Dec. 30, 1988;—Am. 1993, Act 328, Eff. Apr. 1, 1994;—Am. 1994, Act 268, Eff. July 7, 1994;—Am. 1995, Act 2, Imd. Eff. Mar. 8, 1995;—Am. 1995, Act 230, Eff. Jan. 9, 1996;—Am. 1996, Act 484, Eff. Jan. 1, 1997;—Am. 1997, Act 86, Imd. Eff. July 28, 1997;—Am. 1999, Act 181, Imd. Eff. Nov. 16, 1999;—Am. 2000, Act 162, Imd. Eff. June 16, 2000;—Am. 2000, Act 301, Imd. Eff. Oct. 11, 2000;—Am. 2000, Act 400, Imd. Eff. Jan. 8, 2001;—Am. 2002, Act 615, Imd. Eff. Dec. 20, 2002;—Am. 2004, Act 394, Imd. Eff. Oct. 15, 2004;—Am. 2005, Act 214, Imd. Eff. Nov. 21, 2005.

**Constitutionality:** The Michigan Income Tax Act violates principles of intergovernmental immunity by favoring retired state and local government employees over retired federal employees. *Davis v. Michigan Dept. of Treasury*, 109 S.Ct. 1500 (1989).

**Compiler's note:** Act 253 of 1980, purporting to amend §§ 206.30, 206.512, 206.520, and 206.522 and to add a § 206.261 could not take effect until Senate Joint Resolution X became effective as part of the constitution. Senate Joint Resolution X was submitted to and disapproved by the people at the general election held on November 4, 1980.

Enacting section 1 of Act 181 of 1999 provides:

"Enacting section 1. Notwithstanding any other provision of law, this amendatory act is intended to be retroactive and effective for tax years that begin on and after January 1, 1994."

## **INCOME TAX ACT OF 1967 (EXCERPT)**

### **Act 281 of 1967**

#### **206.36 "Taxable income" of resident estate or trust defined.**

Sec. 36. (1) "Taxable income" in the case of a resident estate or trust means federal taxable income as defined in the internal revenue code subject to the following adjustments:

(a) Add gross interest income and dividends derived from obligations or securities of states other than Michigan, in the same amount which has been excluded from federal taxable income less related expenses not deducted in computing federal taxable income because of section 265 of the internal revenue code.

(b) Add taxes on or measured by income to the extent the taxes have been deducted in arriving at federal taxable income.

(c) Add losses on the sale or exchange of obligations of the United States government, the income of which this state is prohibited from subjecting to a net income tax, to the extent that the loss has been deducted in arriving at federal taxable income.

(d) Deduct, to the extent included in federal taxable income, income derived from obligations, or the sale or exchange of obligations, of the United States government which this state is prohibited by law from subjecting to a net income tax, reduced by any interest on indebtedness incurred in carrying the obligations, and by any expenses incurred in the production of such income to the extent that the expenses, including amortizable bond premiums, were deducted in arriving at federal taxable income.

(e) Adjustments resulting from the application of section 271.

(f) Deduct an adjustment resulting from the allocation and apportionment provisions of chapter 3.

(2) The respective shares of an estate or trust and its beneficiaries, including, solely for the purpose of this allocation, nonresident beneficiaries, in the additions and subtractions to taxable income shall be in proportion to their respective shares of distributable net income of the estate or trust as defined in the internal revenue code. If the estate or trust has no distributable net income for the taxable year, the share of each beneficiary in the additions and subtractions shall be in proportion to his share of the estate or trust income for the year, under local law or the terms of the instrument, which is required to be distributed currently and any other amounts of such income distributed in the year. Any balance of the additions and subtractions shall be allocated to the estate or trust. If capital gains and losses are distributed or distributable to a beneficiary or beneficiaries under the internal revenue code, the fiduciary shall advise each beneficiary of his share of the adjustment under section 271. The election or failure to elect under section 271 with respect to capital gains and losses taxable to the estate or trust shall not affect the beneficiary's right to elect or not to elect under section 271.

(3) An addition or subtraction shall not be made under this section which has the effect of duplicating an item of income or deduction if the taxpayer establishes to the satisfaction of the commissioner that the item is already reflected in federal taxable income. If an addition or subtraction with respect to the sale or exchange of obligations of the United States government proper adjustment, in accordance with rules promulgated by the commissioner, of the deduction for excess of capital gains over capital losses shall be made.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1970, Act 140, Imd. Eff. Aug. 1, 1970;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975.

#### **INCOME TAX ACT OF 1967 (EXCERPT)** **Act 281 of 1967**

#### **206.51 Tax rate on taxable income of person other than a corporation; percentages of revenues deposited in state school aid fund; imposition of annualized rates; computation of taxable income of nonresident; resident beneficiary of trust; tax credit; including items of income and deductions from trust in taxable income; intention of section; “person other than a corporation” and “taxable income” defined.**

Sec. 51. (1) For receiving, earning, or otherwise acquiring income from any source whatsoever, there is levied and imposed upon the taxable income of every person other than a corporation a tax at the following rates in the following circumstances:

(a) Before May 1, 1994, 4.6%.

(b) After April 30, 1994 and before January 1, 2000, 4.4%.

(c) For tax years that begin on and after January 1, 2000 and before January 1, 2002 and on and after January 1, 2003, the rate under section 51b, 51c, 51d, or 51e, as applicable.

(d) For tax years that begin on and after January 1, 2002 and before January 1, 2003, 4.1%.

(2) The following percentages of the net revenues collected under this section and sections 51b, 51c, 51d, and 51e shall be deposited in the state school aid fund created in section 11 of article IX of the state constitution of 1963:

(a) Beginning October 1, 1994 and before October 1, 1996, 14.4% of the gross collections before refunds from the tax levied under this section.

(b) After September 30, 1996 and before January 1, 2000, 23.0% of the gross collections before refunds from the tax levied under this section.

(c) Beginning January 1, 2000, that percentage of the gross collections before refunds from the tax levied under this section that is equal to 1.012% divided by the income tax rate levied under this section or section 51b, 51c, 51d, or 51e, as applicable.

(3) The department shall annualize rates provided in subsection (1) as necessary for tax years that end after April 30, 1994. The applicable annualized rate shall be imposed upon the taxable income of every person other than a corporation for those tax years.

(4) The taxable income of a nonresident shall be computed in the same manner that the taxable income of a resident is computed, subject to the allocation and apportionment provisions of this act.

(5) A resident beneficiary of a trust whose taxable income includes all or part of an accumulation distribution by a trust, as defined in section 665 of the internal revenue code, shall be allowed a credit against the tax otherwise due under this act. The credit shall be all or a proportionate part of any tax paid by the trust under this act for any preceding taxable year that would not have been payable if the trust had in fact made distribution to its beneficiaries at the times and in the amounts specified in section 666 of the internal revenue code. The credit shall not reduce the tax otherwise due from the beneficiary to an amount less than would have been due if the accumulation distribution were excluded from taxable income.

(6) The taxable income of a resident who is required to include income from a trust in his or her federal income tax return under the provisions of subpart E of part I of subchapter J of chapter 1 of the internal revenue code, 26 U.S.C. 671 to 679, shall include items of income and deductions from the trust in taxable income to the extent required by this act with respect to property owned outright.

(7) It is the intention of this section that the income subject to tax of every person other than corporations shall be computed in like manner and be the same as provided in the internal revenue code subject to adjustments specifically provided for in this act.

(8) As used in this section and sections 51b, 51c, 51d, and 51e:

(a) "Person other than a corporation" means a resident or nonresident individual or any of the following:

(i) A partner in a partnership as defined in the internal revenue code.

(ii) A beneficiary of an estate or a trust as defined in the internal revenue code.

(iii) An estate or trust as defined in the internal revenue code.

(b) "Taxable income" means taxable income as defined in this act subject to the applicable source and attribution rules contained in this act.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1971, Act 76, Eff. Aug. 1, 1971;—Am. 1972, Act 181, Eff. Aug. 1, 1972;—Am. 1975, Act 19, Eff. May 1, 1975;—Am. 1977, Act 44, Imd. Eff. June 30, 1977;—Am. 1982, Act 155, Imd. Eff. May 17, 1982;—Am. 1983, Act 15, Imd. Eff. Mar. 29, 1983;—Am. 1984, Act 221, Imd. Eff. July 26, 1984;—Am. 1986, Act 16, Eff. Mar. 26, 1986;—Am. 1990, Act 283, Imd. Eff. Dec. 14, 1990;—Am. 1993, Act 328, Eff. Apr. 1, 1994;—Am. 1995, Act 194, Imd. Eff. Nov. 7, 1995;—Am. 1999, Act 1, Imd. Eff. Feb. 25, 1999;—Am. 1999, Act 6, Imd. Eff. Feb. 25, 1999.

**Compiler's note:** Section 4 of Act 76 of 1971 provides:

**"Expiration of act; conditions.**

"Section 4. The provisions of this amendatory act shall expire August 1, 1972 unless prior thereto the legislature has submitted to the electors constitutional amendments which shall (a) grant property tax relief by limiting of levying of more than 10 mills on property for school operational purposes, (b) permit the legislature to enact taxes on income graduated either as to rate or base or both, or (c) a combination of (a) and (b) as one amendment and (a) as a separate amendment and which said amendments shall be voted upon at a special election to be held on November 2, 1971 or at the general election to be held November 1972."

The legislature did not submit to the electors at a November 2, 1971 special election or at the November, 1972 general election proposed constitutional amendment(s) to effect the purposes enumerated in Section 4 of Act 76 of 1971.

Section 51 of Act 250 of 1978, purporting to amend this section, was submitted to and disapproved by the people as part of Proposal E at the general election held on November 4, 1980.

Section 2 of Act 15 of 1983 provides:

**"Legislative finding and purpose.**

"Section 2. Because a severe economic recession has caused an actual deficit in state funds, the legislature finds that this amendatory act is necessary to, and it is the purpose of this amendatory act to, meet the actual deficiencies existing in state funds at the time of this enactment."

## **INCOME TAX ACT OF 1967 (EXCERPT)**

### **Act 281 of 1967**

#### **206.91 Common trust funds and participants; taxable status.**

Sec. 91. (1) A common trust fund meeting the requirements of section 584 of the internal revenue code, shall not be subject to tax under this act.

(2) Each participant in the common trust fund shall, under rules prescribed by the department, include its proportionate share of the taxable income whether or not distributed and whether or not distributable.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

## **INCOME TAX ACT OF 1967 (EXCERPT)**

### **Act 281 of 1967**

#### **206.102 Income producing activities solely in Michigan.**

Sec. 102. In the case of taxable income of a taxpayer whose income-producing activities are confined solely to this state, the entire taxable income of such taxpayer shall be allocated to this state, except as otherwise expressly provided in this act.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

## **INCOME TAX ACT OF 1967 (EXCERPT)**

### **Act 281 of 1967**



### **206.103 Taxable income partly attributable to Michigan.**

Sec. 103. Any taxpayer having income from business activity which is taxable both within and without this state, other than the rendering of purely personal services by an individual, shall allocate and apportion his net income as provided in this act.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1970, Act 140, Imd. Eff. Aug. 1, 1970.

#### **INCOME TAX ACT OF 1967 (EXCERPT) Act 281 of 1967**

### **206.105 Allocation and apportionment of business income taxable in another state.**

Sec. 105. For purposes of allocation and apportionment of income from business activity under this act, a taxpayer is taxable in another state if (a) in that state he is subject to a net income tax, a franchise tax measured by net income, a franchise tax for the privilege of doing business or a corporate stock tax, or (b) that state has jurisdiction to subject the taxpayer to a net income tax regardless of whether, in fact, the state does or does not.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

#### **INCOME TAX ACT OF 1967 (EXCERPT) Act 281 of 1967**

### **206.110 Taxable income of individuals, estates, or trusts; allocation; rents and royalties.**

Sec. 110. (1) For a resident individual, estate, or trust, all taxable income from any source whatsoever, except that attributable to another state under sections 111 to 115 and subject to section 255, is allocated to this state.

(2) For a nonresident individual, estate, or trust, all taxable income is allocated to this state to the extent it is earned, received, or acquired in 1 or more of the following ways:

(a) For the rendition of personal services performed in this state.

(b) As a distributive share of the net profits of a business, profession, enterprise, undertaking, or other activity as the result of work done, services rendered, or other business activities conducted in this state, except as allocated to another state pursuant to sections 111 to 114 and subject to section 256.

(c) For tax years beginning after 1996, as a prize won by the taxpayer under the McCauley-Traxler-Law-Bowman-McNeely lottery act, 1972 PA 239, MCL 432.1 to 432.47.

(d) As winnings that are proceeds of a wagering transaction paid on or after October 1, 2003 by a casino or as a payoff price on a winning ticket that is the result of pari-mutuel wagering at a licensed race meeting if the casino or licensed race meeting is located in this state. As used in this section:

(i) "Casino" means a casino regulated by this state under the Michigan gaming control and revenue act, the Initiated Law of 1996, MCL 432.201 to 432.226, or a building on Native American land or land held in trust by the United States for a federally recognized Indian tribe on which gaming is conducted under the Indian gaming regulatory act, Public Law 100-497, 102 Stat. 2467.

(ii) "Pari-mutuel wagering" and "licensed race meeting" mean those terms as used in the horse racing law of 1995, 1995 PA 279, MCL 431.301 to 431.336.

(3) The respective shares of a nonresident estate or trust and its beneficiaries, including, solely for purposes of allocation, resident and nonresident beneficiaries, in the income attributable to this state shall be in proportion to the respective shares of distributable net income of the beneficiaries under the internal revenue code. If the estate or trust has no distributable net income for the tax year, the share of each beneficiary in the income attributable to this state shall be in proportion to his or her share of the estate or trust income for that year, under local law or the terms of the instrument, that is required to be distributed currently and other amounts of the income distributed in the year. Any balance of the income attributable to this state shall be allocated to the estate or trust.

(4) A nonresident estate or trust is allowed the credit provided in section 256, except that the limitation shall be computed by reference to the taxable income of the estate or trust.

(5) Rents and royalties from real or tangible personal property, capital gains, interest, dividends, or patent or copyright royalties, to the extent that they constitute a nonbusiness income, shall be allocated as provided in sections 111 to 114.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1990, Act 283, Imd. Eff. Dec. 14, 1990;—Am. 1996, Act 484, Eff. Jan. 1, 1997;—Am. 2003, Act 21, Imd. Eff. June 24, 2003.

#### **INCOME TAX ACT OF 1967 (EXCERPT) Act 281 of 1967**

#### **206.111 Rents and royalties; allocation.**

Sec. 111. (1) Net rents and royalties from real property located in this state are allocable to this state.

(2) Net rents and royalties from tangible personal property are allocable to this state:

(a) If and to the extent that the property is utilized in this state; or

(b) In their entirety if the taxpayer is a resident partnership, estate or trust or individual of this state or has a commercial domicile in this state and the taxpayer is not organized under the laws of or taxable in the state in which the property is utilized.

(3) The extent of utilization of tangible personal property in a state is determined by multiplying the rents and royalties by a fraction, the numerator of which is the number of days of physical location of the property in the state during the rental or royalty period in the taxable year and the denominator of which is the number of days of physical location of the property everywhere during all rental or royalty periods in the taxable year. If the physical location of the property during the rental or royalty period is unknown or unascertainable by the taxpayer, tangible personal property is utilized in the state in which the property was located at the time the rental or royalty payer obtained possession.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

#### **INCOME TAX ACT OF 1967 (EXCERPT) Act 281 of 1967**

#### **206.112 Capital gains and losses.**

Sec. 112. (1) Capital gains and losses from sales or exchanges of real property located in this state are allocable to this state.

(2) Capital gains and losses from sales or exchanges of tangible personal property are allocable to this state if:

(a) The property had a situs in this state at the time of the sale; or

(b) The taxpayer is a resident partnership, estate or trust or individual of this state or has a commercial domicile in this state and the taxpayer is not taxable in the state in which the property had a situs.

(3) Capital gains and losses from sales or exchanges of intangible personal property are allocable to this state if the taxpayer is a resident partnership, estate or trust or individual of this state or has a commercial domicile in this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

#### **INCOME TAX ACT OF 1967 (EXCERPT) Act 281 of 1967**

#### **206.113 Interest and dividends; allocation.**

Sec. 113. Interest and dividends are allocable to this state if the taxpayer is a resident partnership, estate or trust or individual of this state or has a commercial domicile in this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

#### **INCOME TAX ACT OF 1967 (EXCERPT) Act 281 of 1967**

#### **206.114 Patent and copyright royalties; allocation.**

Sec. 114. (1) Patent and copyright royalties are allocable to this state:

(a) If and to the extent that the patent or copyright is utilized by the payer in this state; or

(b) If and to the extent that the patent or copyright is utilized by the payer in a state in which the taxpayer is not taxable and the taxpayer is a resident partnership, estate or trust or individual of this state or has a commercial domicile in this state.

(2) A patent is utilized in a state to the extent that it is employed in production, fabrication, manufacturing or other processing in the state or to the extent that a patented product is produced in the state. If the basis of receipts from patent royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the patent is utilized in this state if the taxpayer is a resident partnership, estate or trust or individual or has a commercial domicile in this state.

(3) A copyright is utilized in a state to the extent that printing or other publication originates in the state. If the basis of receipts from copyright royalties does not permit allocation to states or if the accounting procedures do not reflect states of utilization, the copyright is utilized in this state if the taxpayer is a resident partnership, estate or trust or individual or has a commercial domicile in this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

#### **INCOME TAX ACT OF 1967 (EXCERPT)**

## **Act 281 of 1967**

### **206.115 Apportionment of business income; exception; computation.**

Sec. 115. All business income, other than income from transportation services shall be apportioned to this state by multiplying the income by a fraction, the numerator of which is the property factor plus the payroll factor plus the sales factor, and the denominator of which is 3.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975.

#### **INCOME TAX ACT OF 1967 (EXCERPT)**

#### **Act 281 of 1967**

### **206.116 Property factor; determination.**

Sec. 116. The property factor is a fraction, the numerator of which is the average value of the taxpayer's real and tangible personal property owned or rented and used in this state during the tax period and the denominator of which is the average value of all the taxpayer's real and tangible personal property owned or rented and used during the tax period.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

#### **INCOME TAX ACT OF 1967 (EXCERPT)**

#### **Act 281 of 1967**

### **206.117 Property; value, rental rate.**

Sec. 117. Property owned by the taxpayer is valued at its original cost. Property rented by the taxpayer is valued at 8 times the net annual rental rate. Net annual rental rate is the annual rental rate paid by the taxpayer less any annual rental rate received by the taxpayer from subrentals.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

#### **INCOME TAX ACT OF 1967 (EXCERPT)**

#### **Act 281 of 1967**

### **206.118 Property; average value.**

Sec. 118. The average value of property shall be determined by averaging the values at the beginning and ending of the tax period but the commissioner may require the averaging of monthly values during the tax period if reasonably required to reflect properly the average value of the taxpayer's property.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

#### **INCOME TAX ACT OF 1967 (EXCERPT)**

#### **Act 281 of 1967**

### **206.119 Payroll factor; determination.**

Sec. 119. The payroll factor is a fraction, the numerator of which is the total amount paid in this state during the tax period by the taxpayer for compensation, and the denominator of which is the total compensation paid everywhere during the tax period.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

#### **INCOME TAX ACT OF 1967 (EXCERPT)**

#### **Act 281 of 1967**

### **206.120 Compensation paid in state of Michigan.**

Sec. 120. Compensation is paid in this state if:

- (a) The individual's service is performed entirely within the state; or
- (b) The individual's service is performed both within and without the state, but the service performed without the state is incidental to the individual's service within the state; or
- (c) Some of the service is performed in the state and (i) the base of operations, or if there is no base of operations, the place from which the service is directed or controlled is in the state, or (ii) the base of operations or the place from which the service is directed or controlled is not in any state in which some part of the service is performed, but the individual's residence is in this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

#### **INCOME TAX ACT OF 1967 (EXCERPT)**

#### **Act 281 of 1967**

### **206.121 Sales factor; determination.**

Sec. 121. The sales factor is a fraction, the numerator of which is the total sales of the taxpayer in this state during the tax period, and the denominator of which is the total sales of the taxpayer everywhere during the

tax period.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

**206.122 Sales of tangible personalty within Michigan.**

Sec. 122. Sales of tangible personal property are in this state if:

(a) The property is delivered or shipped to a purchaser, other than the United States government, within this state regardless of the f.o.b. point or other conditions of the sale; or

(b) The property is shipped from an office, store, warehouse, factory or other place of storage in this state and (i) the purchaser is the United States government or (ii) the taxpayer is not taxable in the state of the purchaser.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

**206.123 Sales other than sales of tangible personalty within state.**

Sec. 123. Sales, other than sales of tangible personal property, are in this state if:

(a) The income-producing activity is performed in this state; or

(b) The income-producing activity is performed both in and outside this state and a greater proportion of the income-producing activity is performed in this state than outside this state, based on costs of performance.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

**206.131 Transportation services; sections applicable.**

Sec. 131. The taxable income of a taxpayer whose income-producing activities consist of transportation services rendered partly within and partly without the state shall be determined under the provisions of sections 132 to 134.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

**206.132 Transportation other than of oil or gas by pipeline; revenue mile; taxable income.**

Sec. 132. In the case of such taxable income other than that derived from the transportation of oil or gas by pipeline, that portion of the net income of the taxpayer derived from transportation services wherever performed that the revenue miles of the taxpayer in Michigan bear to the revenue miles of the taxpayer everywhere. A revenue mile means the transportation for a consideration or 1 net ton in weight or 1 passenger the distance of 1 mile. The taxable income attributable to Michigan sources in the case of a taxpayer engaged in the transportation both of property and of individuals shall be that portion of the entire net income of the taxpayer which is equal to the average of his passenger miles and ton mile fractions, separately computed and individually weighted by the ratio of gross receipts from passenger transportation to total gross receipts from all transportation, and by the ratio of gross receipts from freight transportation to total gross receipts from all transportation, respectively. If it is shown to the satisfaction of the commissioner that the foregoing information is not available or cannot be obtained without unreasonable expense to the taxpayer, the commissioner may use such other data which may be available and which in the opinion of the commissioner will result in an equitable allocation of such receipts to this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

**206.133 Transportation of oil by pipeline; taxable income.**

Sec. 133. In the case of taxable income derived from the transportation of oil by pipeline, that portion of the net income of the taxpayer derived from the pipeline transportation of oil everywhere that the barrel miles transported in Michigan bear to the barrel miles transported by the taxpayer everywhere.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

**206.134 Transportation of gas by pipeline; taxable income.**

Sec. 134. In the case of taxable income derived from the transportation of gas by pipeline, net income attributable to Michigan shall be that portion of the taxable income of the taxpayer derived from the pipeline transportation of gas everywhere that the thousand cubic feet miles transported in Michigan bear to the thousand cubic feet miles transported by the taxpayer everywhere.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**INCOME TAX ACT OF 1967 (EXCERPT)****Act 281 of 1967****206.191 Sales not exceeding \$100,000; taxable income.**

Sec. 191. (1) If the taxpayer's only activities within this state consist of sales and do not include owning or renting real estate or tangible personal property and whose dollar volume of gross sales made during the tax year within the state is not in excess of \$100,000.00 the taxpayer may elect for that year:

(a) To report and pay a tax on net income arrived at by multiplying total sales in this state for the taxable year by the ratio of net income from operations to total sales as reported on his federal income tax return for the same taxable year; or

(b) Report and pay a tax of  $\frac{2}{5}$  of 1% on total sales in this state, whichever method reflects the lesser tax liability.

(2) The election is not available for any taxable year for which a consolidated return is required.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**INCOME TAX ACT OF 1967 (EXCERPT)****Act 281 of 1967****206.195 Alternative methods of allocation and apportionment; approval.**

Sec. 195. If the allocation and apportionment provisions of this act do not fairly represent the extent of the taxpayer's business activity in this state, the taxpayer may petition for or the commissioner may require, in respect to all or any part of the taxpayer's business activity, if reasonable:

(a) Separate accounting;

(b) The exclusion of any one or more of the factors;

(c) The inclusion of 1 or more additional factors which will fairly represent the taxpayer's business activity in this state; or

(d) The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's taxable income.

An alternative method will be effective only with approval by the commissioner.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

**INCOME TAX ACT OF 1967 (EXCERPT)****Act 281 of 1967****206.201 Exemption of persons exempt from federal income tax; exceptions.**

Sec. 201. (1) A person who is exempt from federal income tax pursuant to the provisions of the internal revenue code shall be exempt from the tax imposed by this act except the unrelated taxable business income of an exempt person as determined under the internal revenue code.

(2) Nothing in this section shall exempt a person from the withholding and information return provisions of this act.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975.

**INCOME TAX ACT OF 1967 (EXCERPT)****Act 281 of 1967****206.251 Credit for taxes withheld; election to treat as total tax.**

Sec. 251. (1) The amount withheld under section 351 shall be allowed to the recipient of the compensation as a credit against the tax imposed on him by this act.

(2) The amount so withheld during any calendar year shall be allowed as a credit for the taxable year beginning in such calendar year. If more than 1 taxable year begins in a calendar year, such amount shall be allowed as a credit for the last taxable year so beginning.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

**INCOME TAX ACT OF 1967 (EXCERPT)****Act 281 of 1967**



**206.255 Credit for tax imposed by another state, District of Columbia, or Canadian province; allowance of Canadian provincial credit; maximum credit.**

Sec. 255. (1) A resident individual or resident estate or trust is allowed a credit against the tax due under this act for the amount of an income tax imposed on the resident individual or resident estate or trust for the tax year by another state of the United States, a political subdivision of another state of the United States, the District of Columbia, or a Canadian province, on income derived from sources outside this state that is also subject to tax under this act or the amount determined under subsection (3), whichever is less. For purposes of the Canadian provincial credit, the credit is allowed for only that portion of the provincial tax not claimed as a credit for federal income tax purposes. It is presumed that the Canadian federal income tax is claimed first. The provincial tax claimed as a carryover deduction as provided in the internal revenue code is not allowed as a credit under this section.

(2) The Canadian provincial credit shall be allowed for the 1978 tax year and for each tax year after 1978.

(3) The credit under this section shall not exceed an amount determined by dividing income that is subject to taxation both in this state and in another jurisdiction by taxable income and then multiplying that result by the taxpayer's tax liability before any credits are deducted.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1978, Act 589, Imd. Eff. Jan. 4, 1979;—Am. 1979, Act 30, Imd. Eff. June 14, 1979;—Am. 1982, Act 515, Imd. Eff. Dec. 31, 1982;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1996, Act 484, Eff. Jan. 1, 1997.

**Compiler's note:** Section 2 of Act 515 of 1982 provides: "(1) Section 255 of this amendatory act shall be effective for the 1979 tax year and each tax year thereafter.

(2) Section 301 of this amendatory act shall take effect for tax years beginning on or after January 1, 1983.

(3) Section 520 of this amendatory act shall take effect for tax years beginning on or after January 1, 1981."

**INCOME TAX ACT OF 1967 (EXCERPT)**

**Act 281 of 1967**

**206.256 Tax exemption in other states by nonresidents; reciprocal agreement.**

Sec. 256. For a nonresident individual, estate, or trust, if the laws of the state of residence exempt a resident of this state from liability for the payment of income taxes on income earned for personal services performed in that state, the commissioner may enter into a reciprocal agreement with that state to provide a similar tax exemption for that state's residents on income earned for personal services performed in this state.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1996, Act 484, Eff. Jan. 1, 1997.

**INCOME TAX ACT OF 1967 (EXCERPT)**

**Act 281 of 1967**

**206.257 Credit for city income taxes.**

Sec. 257. (1) For city income taxes becoming due and payable for periods ending after December 31, 1967, each person subject to the tax levied by section 51 shall be allowed a credit computed by the table set out in this section for city income taxes deductible in the person's tax year for federal income tax purposes pursuant to section 164 of the internal revenue code, or which would have been deductible in his or her tax year if he or she had not elected the standard deduction. If the amount of city income taxes used as a basis for the credit computation differs from the city income tax liability incurred and paid by the taxpayer for the tax year, the credit for the ensuing year shall be adjusted by the amount of the difference between the city income taxes used as a basis for the credit computation and the city income taxes incurred and paid by the taxpayer for the tax year. City income taxes means the taxes levied under the city income tax act, Act No. 284 of the Public Acts of 1964, as amended, being sections 141.501 to 141.787 of the Michigan Compiled Laws, and, for purposes of this section, does not include penalties or interest. A credit shall not be allowed for city income taxes, other than estimated payments, which are delinquent on January 1, 1968. For a return of less than 12 months, the credit shall be reduced proportionately. The credit allowed by section 260 and this section shall not be in excess of the tax liability of the taxpayer.

(2) The credit shall be computed as follows:

If the total city income tax is:

\$100.00 or less      20% of the city income taxes

Over \$100.00 but not over \$150.00      \$20.00 plus 10% of the excess over \$100.00

Over \$150.00      \$25.00 plus 5% of the excess over \$150.00, but the total credit shall not exceed \$10,000.00.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1970, Act 101, Imd. Eff. July 20, 1970;—Am. 1970, Act 233, Imd. Eff. Dec. 3, 1970;—Am. 1971, Act 76, Imd. Eff. July 30, 1971;—Am. 1972, Act 181, Eff. Aug. 1, 1972;—Am. 1973, Act 20, Imd. Eff. May 16, 1973;—Am. 1980, Act 517, Imd. Eff. Jan. 26, 1981;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987.

**Compiler's note:** Section 4 of Act 76 of 1971 provides:

**“Expiration of act; conditions.**

“Section 4. The provisions of this amendatory act shall expire August 1, 1972 unless prior thereto the legislature has submitted to the electors constitutional amendments which shall (a) grant property tax relief by limiting of levying of more than 10 mills on property for school operational purposes, (b) permit the legislature to enact taxes on income graduated either as to rate or base or both, or (c) a combination of (a) and (b) as one amendment and (a) as a separate amendment and which said amendments shall be voted upon at a special election to be held on November 2, 1971 or at the general election to be held November 1972.”

The legislature did not submit to the electors at a November 2, 1971 special election or at the November, 1972 general election proposed constitutional amendment(s) to effect the purposes enumerated in Section 4 of Act 76 of 1971.

**INCOME TAX ACT OF 1967 (EXCERPT)**

**Act 281 of 1967**

**206.271 Recomputation of taxable income by excluding proportional gain or loss on disposition of property.**

Sec. 271. (1) A taxpayer subject to the tax levied by section 51 and whose income received after September 30, 1967 is increased or diminished by the disposition of property acquired before October 1, 1967, which is described in and subject to subchapter P of the internal revenue code, may elect to recompute taxable income by excluding therefrom the proportional gain or loss incurred before October 1, 1967. Taxpayers so electing shall be subject to a tax on taxable income thus recomputed at the rates imposed by this act. An election so made shall include all items of gains or losses realized during the taxable year.

(2) The proportion of gain or loss occurring after September 30, 1967, to total gain or loss is equal to the proportion the number of months after September 30, 1967, to date of disposition bears to the number of months from date of acquisition to date of disposition.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975.

**INCOME TAX ACT OF 1967 (EXCERPT)**

**Act 281 of 1967**

**206.301 Estimated tax; installment payments; due dates; amount; credit; payment of estimated annual tax instead of quarterly payments; filing and payment by farmer, fisherman, or seafarer; information submitted by bank or financial institution; computations; “taxable trust” defined.**

Sec. 301. (1) Every person on a calendar year basis, if the person's annual tax can reasonably be expected to exceed the amount withheld under section 351 and the credits allowed under this act by more than \$500.00, shall pay to the department installments of estimated tax under this act on or before April 15, June 15, and September 15 of the person's tax year and January 15 in the following year. Subject to subsection (3), each installment shall be equal to 1/4 the taxpayer's estimated tax under this act after first deducting the amount estimated to be withheld under section 351.

(2) For a taxpayer on other than a calendar year basis, there shall be substituted for the due dates provided in subsection (1) the appropriate due dates in the taxpayer's fiscal year that correspond to those in the calendar year.

(3) For a taxpayer that pays estimated tax for the taxpayer's first tax year of less than 12 months, the amount paid shall be that fraction of the estimated tax that is obtained by dividing the total amount of estimated tax by the number of payments to be made with respect to the tax year.

(4) There shall be allowed as a credit against the tax imposed by this act the amounts paid to the department pursuant to this section.

(5) Instead of quarterly payments, a person subject to this section may pay an estimated annual tax for the succeeding tax year. The payment shall be made at the same time the person files the annual return for the previous full tax year.

(6) A farmer or fisherman who elects to file and pay his or her federal income tax under an alternative schedule provided in section 6654 of the internal revenue code may file and pay the tax imposed by this act in the same manner. A seafarer may file and pay the tax imposed by this act in the same manner as a farmer or fisherman under this subsection. As used in this subsection, “seafarer” means an individual whose wages may not be withheld for taxes by the state or a political subdivision of the state as provided in section 11108 of title 46 of the United States code, 46 U.S.C. 11108.

(7) A bank or financial institution that submits quarterly estimated income tax payment information through the federal tax deposit system on magnetic tape and acts as fiduciary for 200 or more taxable trusts shall submit Michigan quarterly tax payment information on magnetic tape to the department.

(8) A bank or financial institution that acts as fiduciary for more than 49 and fewer than 200 taxable trusts may enter into an irrevocable agreement with the department to submit estimated income tax payment information on magnetic tape to the department.

(9) The payment of tax based on the information required under subsections (7) and (8) shall be made through a wire transfer to the state of Michigan contractual deposit account.

(10) A payment of estimated tax shall be computed on the basis of the annualized rate established under section 51 for the appropriate tax year to which the estimated tax payment is applicable.

(11) Except as provided in subsection (1), the amount of an estimated tax installment shall be computed, payment of estimated tax shall be credited, and a period of underpayment shall be determined in the same manner as provided in the internal revenue code.

(12) As used in this section, "taxable trust" means a trust required to make payments of estimated tax pursuant to subsection (1).

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1971, Act 25, Imd. Eff. May 13, 1971;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 1982, Act 515, Imd. Eff. Dec. 31, 1982;—Am. 1983, Act 15, Imd. Eff. Mar. 29, 1983;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 1988, Act 70, Imd. Eff. Mar. 28, 1988;—Am. 1996, Act 484, Eff. Jan. 17, 1998.

**Compiler's note:** Section 2 of Act 15 of 1983 provides: "Because a severe economic recession has caused an actual deficit in state funds, the legislature finds that this amendatory act is necessary to, and it is the purpose of this amendatory act to, meet the actual deficiencies existing in state funds at the time of this enactment."

#### **INCOME TAX ACT OF 1967 (EXCERPT)** **Act 281 of 1967**

#### **206.311 Tax return; form; content; verification; transmittal; remittance; extension, computation, and remittance of estimated tax due; interest; penalties; tentative return; payment of estimated tax; joint return; effect of filing copy of federal extension; automatic extension based on service in combat zone.**

Sec. 311. (1) The taxpayer on or before the due date set for the filing of a return or the payment of the tax, except as otherwise provided in this act, shall make out a return in the form and content as prescribed by the commissioner, verify the return, and transmit it, together with a remittance of the amount of the tax, to the department.

(2) Except as otherwise provided in subsection (5), the department, upon application of the taxpayer and for good cause shown, may extend under prescribed conditions the time for filing the annual or final return required by this act. Before the original due date, the taxpayer shall remit with an application for extension the estimated tax due. In computing the tax due for the tax year, interest at the rate established in, and penalties imposed by, section 23 of 1941 PA 122, MCL 205.23, shall be added to the amount of tax unpaid for the period of the extension. The department may require a tentative return and payment of an estimated tax.

(3) Taxpayers who are husband and wife and who file a joint federal income tax return pursuant to the internal revenue code shall file a joint return.

(4) Except as provided in subsection (5), if the taxpayer has been granted an extension or extensions of time within which to file a final federal return for a taxable year, the filing of a copy of the extension or extensions automatically extends the due date of the final return under this act for an equivalent period. The taxpayer shall remit with the copy of the extension or extensions the estimated tax due. In computing the tax due for the tax year, interest at the rate established in, and penalties imposed by, section 23 of 1941 PA 122, MCL 205.23, shall be added to the amount of tax unpaid for the period of the extension.

(5) If the taxpayer is eligible for an automatic extension of time within which to file a federal return based on service in a combat zone, the due date for filing an annual or final return or a return and payment of an estimated tax under this act is automatically extended for an equivalent period of time. The taxpayer is not required to file a copy of any federal extension, but shall print "COMBAT ZONE" in red ink at the top of his or her return when the return is filed. The taxpayer is not required to pay the amount of tax due at the time the return is originally due, and the department shall not impose any interest or penalties for the amount of tax unpaid for the period of the extension.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1975, Act 94, Imd. Eff. June 2, 1975;—Am. 1980, Act 169, Eff. Sept. 17, 1980;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 2004, Act 199, Imd. Eff. July 12, 2004.

#### **INCOME TAX ACT OF 1967 (EXCERPT)** **Act 281 of 1967**

**206.315 Tax return of person, other than corporation, whose adjusted gross income exceeds personal exemptions; due date; contents; composite income tax return.**

Sec. 315. (1) Every person, other than a corporation, required to make a return for any taxable period under the internal revenue code, except as otherwise specifically provided in this act, if his or her adjusted gross income is in excess of the personal exemptions allowed by this act shall render on or before the fifteenth day of the fourth month following the close of that taxable period to the department a return setting forth all of the following:

(a) The amount of adjusted gross income on the return made to the United States internal revenue service for federal income tax purposes and as provided in the definitions contained in this act and the rules issued under this act.

(b) The personal and dependency exemptions as allowed by this act.

(c) The amount of tax due under this act, less credits claimed against the tax.

(d) Other information for the purposes of carrying out this act as may be prescribed by the department.

(e) The balance of the tax shown to be due on the return is due and shall be paid by the date fixed for filing the return unless the balance is less than \$1.00, in which event payment is not required.

(2) A nonresident member who has income in this state from 1 or more flow-through entities may elect to be included in the composite income tax return of a flow-through entity of which the nonresident member is a member.

(3) A flow-through entity may file a composite income tax return on behalf of electing nonresident members and report and pay the tax due based on the electing nonresident members' shares of income available for distribution from the flow-through entity for doing business in, or deriving income from, sources within this state.

(4) A nonresident member that has been included in a composite income tax return and also files an individual income tax return for the same taxable period may claim a credit against the tax imposed by this act on that individual income tax return for the amount of taxes paid on behalf of the nonresident member by the flow-through entity on that composite income tax return.

(5) A composite income tax return is due on or before each April 15 and shall report the information required by the department for the immediately preceding calendar year.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975;—Am. 2003, Act 49, Eff. Oct. 1, 2003.

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

**206.325 Furnishing copy of federal tax return and supporting schedules; filing amended return showing final alteration, modification, recomputation, or determination of deficiency; assessment of increased tax resulting from federal audit; payment of additional tax; credit or refund of overpayment.**

Sec. 325. (1) A taxpayer required to file a return under this act may be required to furnish a true and correct copy of any tax return or portion of any tax return and supporting schedules that the taxpayer has filed under the provisions of the internal revenue code.

(2) A taxpayer shall file an amended return with the department showing any final alteration in, or modification of, the taxpayer's federal income tax return that affects the taxpayer's taxable income under this act and of any similarly related recomputation of tax or determination of deficiency under the internal revenue code. If an increase in taxable income results from a federal audit that increases the taxpayer's federal income tax by less than \$500.00, the requirement under this subsection to file an amended return does not apply but the department may assess an increase in tax resulting from the audit. The amended return shall be filed within 120 days after the final alteration, modification, recomputation, or determination of deficiency. If the commissioner finds upon all the facts that an additional tax under this act is owing, the taxpayer shall immediately pay the additional tax. If the commissioner finds that the taxpayer has overpaid the tax imposed by this act, a credit or refund of the overpayment shall immediately be made as provided in section 30 of Act No. 122 of the Public Acts of 1941, being section 205.30 of the Michigan Compiled Laws.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987.

**INCOME TAX ACT OF 1967 (EXCERPT)**  
**Act 281 of 1967**

**206.331 Filing or submitting information as to income paid to others; filing copies or alternate forms of federal tax return.**

Sec. 331. (1) At the request of the department, every person required by the internal revenue code to file or submit an information return of income paid to others shall, to the extent the information is applicable to residents of this state, at the same time file or submit the information in form and content as may be prescribed to the department.

(2) Every corporation, voluntary association, joint venture, partnership, estate or trust at the request of the department shall file a copy of any tax return or portion of any tax return which has been filed under the internal revenue code. The department may prescribe alternate forms of returns.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1975, Act 233, Imd. Eff. Aug. 27, 1975.

## **INCOME TAX ACT OF 1967 (EXCERPT)**

### **Act 281 of 1967**

#### **206.351 Deducting and withholding tax on compensation; computation of amount; withholding tables; disposition of taxes withheld; employer as trustee; liability; nonresident employees; providing department with copy of certain exemption certificates; exemption certificate; statement; definitions.**

Sec. 351. (1) Every employer in this state required under the provisions of the internal revenue code to withhold a tax on the compensation of an individual, except as otherwise provided, shall deduct and withhold a tax in an amount computed by applying, except as provided by subsection (9), the rate prescribed in section 51 to the remainder of the compensation after deducting from compensation the same proportion of the total amount of personal and dependency exemptions of the individual allowed under this act that the period of time covered by the compensation is of 1 year. The commissioner may prescribe withholding tables that may be used by employers to compute the amount of tax required to be withheld.

(2) Every flow-through entity in this state shall withhold a tax in an amount computed by applying the rate prescribed in section 51 to the share of taxable income available for distribution of each nonresident member after deducting from that distributive income the same proportion of the total amount of personal and dependency exemptions of the individual allowed under this act that the period of time covered by the distributive income is of 1 year. If a flow-through entity is a nonresident member of a separate flow-through entity in this state, the flow-through entity in this state of which it is a member shall withhold the tax as required by this subsection on behalf of the flow-through entity that is a nonresident member and all nonresident members of that flow-through entity that is a nonresident member.

(3) Every casino licensee shall withhold a tax in an amount computed by applying the rate prescribed in section 51 to the winnings of a nonresident reportable by the casino licensee under the internal revenue code.

(4) Every race meeting licensee or track licensee shall withhold a tax in an amount computed by applying the rate prescribed in section 51 to a payoff price on a winning ticket of a nonresident reportable by the race meeting licensee or track licensee under the internal revenue code that is the result of pari-mutuel wagering at a licensed race meeting.

(5) Every casino licensee or race meeting licensee or track licensee shall report winnings of a resident reportable by the casino licensee or race meeting licensee or track licensee under the internal revenue code to the department in the same manner and format as required under the internal revenue code.

(6) The taxes withheld under this section shall accrue to the state on the last day of the month in which the taxes are withheld but shall be returned and paid to the department by the employer, flow-through entity, casino licensee, or race meeting licensee or track licensee within 15 days after the end of any month or as provided in section 355, except prior to July 1, 1993, taxes deposited pursuant to section 19(2) of 1941 PA 122, MCL 205.19, are accrued on the last day of the filing period.

(7) An employer, flow-through entity, casino licensee, or race meeting licensee or track licensee required by this section to deduct and withhold taxes on compensation, a share of income available for distribution on which withholding is required under subsection (2), winning on which withholding is required under subsection (3), or a payoff price on which withholding is required under subsection (4) holds the amount of tax withheld as a trustee for the state, is liable for the payment of the tax to the state, and is not liable to any individual for the amount of the payment.

(8) An employer in this state is not required to deduct and withhold a tax on the compensation paid to a nonresident individual employee, who, under section 256, may claim a tax credit equal to or in excess of the tax estimated to be due for the tax year or is exempted from liability for the tax imposed by this act. In each tax year, the nonresident individual shall furnish to the employer, on a form approved by the department, a verified statement of nonresidence.

(9) An employer, flow-through entity, casino licensee, or race meeting licensee or track licensee required to withhold a tax under this act, by the fifteenth day of the following month, shall provide the department with



a copy of any exemption certificate on which the employee, nonresident member, or person subject to withholding under subsection (3) or (4) claims more than 9 personal or dependency exemptions, claims a status that exempts the employee, nonresident member, or person subject to withholding under subsection (3) or (4) from withholding under this section, or elects to pay the tax imposed by this act calculated under section 51a.

(10) An employer shall deduct and withhold the tax imposed by this act calculated under section 51a for a resident who files an exemption certificate under subsection (9) to elect to pay the tax calculated under section 51a.

(11) The exemption certificate required by this section shall include the following statement, "Electing to file using the no-form option may not be for everyone who is eligible. If a taxpayer chooses the no-form option, he or she may not be eligible for some of the credits allowed under this act including the property tax credit allowed under sections 520 and 522, the tuition tax credit allowed under section 274, and the city income tax credit allowed under section 257."

(12) As used in this section:

(a) "Casino" means that term as defined in section 110.

(b) "Casino licensee" means a person licensed to operate a casino under the Michigan gaming control and revenue act, the Initiated Law of 1996, MCL 432.201 to 432.226.

(c) "Race meeting licensee" and "track licensee" mean a person to whom a race meeting license or track license is issued pursuant to section 8 of the horse racing law of 1995, 1995 PA 279, MCL 431.308.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1974, Act 62, Imd. Eff. Apr. 1, 1974;—Am. 1975, Act 98, Imd. Eff. June 2, 1975;—Am. 1982, Act 169, Imd. Eff. June 1, 1982;—Am. 1983, Act 15, Imd. Eff. Mar. 29, 1983;—Am. 1991, Act 82, Imd. Eff. July 18, 1991;—Am. 1996, Act 264, Imd. Eff. June 12, 1996;—Am. 2003, Act 22, Eff. Oct. 1, 2003.

**Compiler's note:** Section 2 of Act 15 of 1983 provides: "Because a severe economic recession has caused an actual deficit in state funds, the legislature finds that this amendatory act is necessary to, and it is the purpose of this amendatory act to, meet the actual deficiencies existing in state funds at the time of this enactment."

## **INCOME TAX ACT OF 1967 (EXCERPT)**

### **Act 281 of 1967**

#### **206.355 Employer, entity, or licensee subject to administration, collection, and enforcement provisions; filing; definitions.**

Sec. 355. (1) All provisions relating to the administration, collection, and enforcement of this act apply to the employer, flow-through entity, casino licensee, or race meeting licensee or track licensee required to withhold taxes and to the taxes required to be withheld. If the department has reasonable grounds to believe that an employer, flow-through entity, casino licensee, or race meeting licensee or track licensee will not pay taxes withheld to the state as prescribed by this act, or to provide a more efficient administration, the department may require the employer, flow-through entity, casino licensee, or race meeting licensee or track licensee to make the return and pay to the department the tax deducted and withheld at other than monthly periods, or from time to time, or require the employer, flow-through entity, casino licensee, or race meeting licensee or track licensee to deposit the tax in a bank approved by the department in a separate account, in trust for the department and payable to the department, and to keep the amount of the taxes in the account until payment over to the department.

(2) Every publicly traded partnership as that term is defined under section 7704 of the internal revenue code that has equity securities registered with the securities and exchange commission under section 12 of title I of the securities and exchange act of 1934, chapter 404, 48 Stat. 881, 15 U.S.C. 78l, shall file on or before each August 31 all unitholder information from the publicly traded partnership's schedule K-1 for the immediately preceding calendar year by paper or electronic format on a form prescribed by the department.

(3) As used in this section:

(a) "Casino" means that term as defined in section 110.

(b) "Casino licensee" means a person licensed to operate a casino under the Michigan gaming control and revenue act, the Initiated Law of 1996, MCL 432.201 to 432.226.

(c) "Race meeting licensee" and "track licensee" mean a person to whom a race meeting license or track license is issued pursuant to section 8 of the horse racing law of 1995, 1995 PA 279, MCL 431.308.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1974, Act 62, Imd. Eff. Apr. 1, 1974;—Am. 1991, Act 82, Imd. Eff. July 18, 1991;—Am. 2003, Act 48, Eff. Oct. 1, 2003.

## **INCOME TAX ACT OF 1967 (EXCERPT)**

### **Act 281 of 1967**

### **206.361 Withholding by governmental units and officers.**

Sec. 361. If the employer is the United States or this state, or any political subdivision thereof, or any agency or instrumentality of any of the foregoing, the return of the amount deducted and withheld upon compensation may be made by any officer of the employer having control of the payment of the compensation or an officer appropriately designated for that purpose.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969.

### **INCOME TAX ACT OF 1967 (EXCERPT)** **Act 281 of 1967**

### **206.365 Furnishing statement of compensation paid and taxes withheld; filing statement and annual reconciliation return; return or report; furnishing withholding information to employer, entity, or licensee; definitions.**

Sec. 365. (1) Every employer, flow-through entity, casino licensee, and race meeting licensee and track licensee required by this act to deduct and withhold taxes for a tax year on compensation, share of income available for distribution, winnings, or payoff on a winning ticket shall furnish to each employee, nonresident member, or person with winnings or a payoff on a winning ticket subject to withholding under this act on or before January 31 of the succeeding year a statement in duplicate of the total compensation, share of income available for distribution, winnings, or payoff on a winning ticket paid during the tax year and the amount deducted or withheld. However, if employment is terminated before the close of a calendar year by an employer who goes out of business or permanently ceases to be an employer in this state, or a flow-through entity, casino licensee, race meeting licensee, or track licensee goes out of business or permanently ceases to be a flow-through entity, casino licensee, race meeting licensee, or track licensee before the close of a calendar year, then the statement required by this subsection shall be issued within 30 days after the last compensation, share of income available for distribution, winnings, or payoff of a winning ticket is paid. A duplicate of a statement made pursuant to this section and an annual reconciliation return, MI-W3, shall be filed with the department by February 28 of the succeeding year except that an employer, flow-through entity, casino licensee, and race meeting licensee and track licensee who goes out of business or permanently ceases to be an employer, flow-through entity, casino licensee, and race meeting licensee and track licensee shall file the statement and the annual reconciliation return within 30 days after going out of business or permanently ceasing to be an employer, flow-through entity, casino licensee, and race meeting licensee and track licensee.

(2) Every employer, flow-through entity, casino licensee, and race meeting licensee and track licensee required by this act to deduct or withhold taxes from compensation, share of income available for distribution, winnings, or payoff on a winning ticket shall make a return or report in form and content and at times as prescribed by the department.

(3) Every employee, nonresident member, or person with winnings or a payoff on a winning ticket subject to withholding under this act shall furnish to his or her employer, flow-through entity, casino licensee, and race meeting licensee and track licensee information required for the employer, flow-through entity, casino licensee, and race meeting licensee and track licensee to make an accurate withholding. An employee, nonresident member, or person with winnings or a payoff on a winning ticket subject to withholding under this act shall file with his or her employer, flow-through entity, casino licensee, and race meeting licensee and track licensee revised information within 10 days after a decrease in the number of exemptions or a change in status from a nonresident to a resident. An employee shall file revised information with his or her employer within 10 days after the employee completes the residency requirements under section 31(11)(d), and when a change of status occurs from resident of a renaissance zone to nonresident of a renaissance zone. Within 10 days after an employer receives revised information from an employee who completes the residency requirements under section 31(11)(d), the employer shall forward a copy of that revised information to the department. The employee, nonresident member, or person with winnings or a payoff on a winning ticket subject to withholding under this act may file revised information when the number of exemptions increases or when a change in status occurs from that of a resident of this state to a nonresident of this state. Revised information shall not be given retroactive effect for withholding purposes. An employer, flow-through entity, casino licensee, and race meeting licensee and track licensee shall rely on this information for withholding purposes unless directed by the department to withhold on some other basis. If an employee, nonresident member, or person with winnings or a payoff on a winning ticket subject to withholding under this act fails or refuses to furnish information, the employer, flow-through entity, casino licensee, and race meeting licensee and track licensee shall withhold the full rate of tax from the employee's total compensation, the nonresident member's share of income available for distribution, or the winnings of a person with winnings or a payoff on a winning ticket subject to withholding under this act. As used in this subsection, "renaissance zone" means a

renaissance zone designated pursuant to the Michigan renaissance zone act, 1996 PA 376, MCL 125.2681 to 125.2696.

(4) As used in this section:

(a) "Casino" means that term as defined in section 110.

(b) "Casino licensee" means a person licensed to operate a casino under the Michigan gaming control and revenue act, the Initiated Law of 1996, MCL 432.201 to 432.226.

(c) "Race meeting licensee" and "track licensee" mean a person to whom a race meeting license or track license is issued pursuant to section 8 of the horse racing law of 1995, 1995 PA 279, MCL 431.308.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1975, Act 298, Eff. Mar. 31, 1976;—Am. 1996, Act 448, Imd. Eff. Dec. 19, 1996;—Am. 2003, Act 47, Eff. Oct. 1, 2003.

#### **INCOME TAX ACT OF 1967 (EXCERPT)**

##### **Act 281 of 1967**

#### **206.408 Records.**

Sec. 408. A person liable for any tax imposed under this act shall keep and maintain accurate records in a form as to make it possible to determine the tax due under this act.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1969, Act 332, Imd. Eff. Nov. 4, 1969;—Am. 1980, Act 169, Eff. Sept. 17, 1980.

#### **INCOME TAX ACT OF 1967 (EXCERPT)**

##### **Act 281 of 1967**

#### **206.451 Certificate of dissolution or withdrawal until taxes paid; payment of taxes as condition to closing of estate.**

Sec. 451. (1) A domestic corporation, a foreign corporation, or other business entity authorized to transact business in this state that submits a certificate of dissolution or requests a certificate of withdrawal from this state shall request a certificate from the department stating that taxes are not due under section 27a of 1941 PA 122, MCL 205.27a, not more than 60 days after submitting the certificate of dissolution or requesting the certificate of withdrawal. A corporation or other business entity that does not request a certificate stating that taxes are not due is subject to the same penalties under section 24 of 1941 PA 122, MCL 205.24, that a taxpayer would be subject to for failure to file a return.

(2) An estate of a person subject to tax under this act shall not be closed without the payment of the tax levied by this act, both in respect to the liability of the estate and decedent prior to his or her death.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1987, Act 254, Imd. Eff. Dec. 28, 1987;—Am. 2002, Act 581, Imd. Eff. Oct. 14, 2002;—Am. 2003, Act 46, Eff. Oct. 1, 2003.

#### **INCOME TAX ACT OF 1967 (EXCERPT)**

##### **Act 281 of 1967**

#### **206.455 Records; adequacy, period, examination, penalties for failure to keep.**

Sec. 455. Every person shall keep such records, books and accounts as may be necessary to determine the amount of tax for which it is liable under the provisions of this act and as the department may require for a period of 6 years. The records, books and accounts shall be open for examination at any time during regular business hours of the taxpayer by the department and its agents. Any person who violates any provision of this section is guilty of a misdemeanor and shall be fined not more than \$1,000.00 or imprisoned not more than 1 year in the county jail, or both.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

#### **INCOME TAX ACT OF 1967 (EXCERPT)**

##### **Act 281 of 1967**

#### **206.471 Administration of tax by department; forms; rules; printing summary of state expenditures and revenues in instruction booklet; space on tax return for school district; information to be provided in instruction booklet about purchase of annual state park motor vehicle permit; listing of credit and deduction; posting of list on website.**

Sec. 471. (1) The tax imposed by this act shall be administered by the department. The department shall prescribe forms for use by taxpayers and may promulgate rules for all of the following:

(a) The maintenance by taxpayers of records, books, and accounts.

(b) The computation of the tax.

(c) The manner and time of changing or electing accounting methods and of exercising the accounting method options contained in this act.

(d) The making of returns, the payment of tax due, and the ascertainment, assessment, and collection of the tax.

(2) The rules shall follow the rulings of the United States internal revenue service with respect to the federal income tax if those rulings are not inconsistent with this act, and the department may adopt as a part of the rules any portions of the internal revenue code or rulings, in whole or in part.

(3) A summary of state expenditures and revenues by major category, in dollar amounts and percentage of total, for the most recent state fiscal year that the information is available, shall be printed in the instruction booklet accompanying each state income tax return.

(4) Each state income tax return shall contain a space for the taxpayer to indicate the school district in which the taxpayer resides.

(5) The department may provide information in the instruction booklet about the purchase of an annual state park motor vehicle permit pursuant to part 741 of the natural resources and environmental protection act, 1994 PA 451, MCL 324.74101 to 324.74125.

(6) In the instruction booklet that accompanies the annual return required under this act, the department shall provide a clear and concise listing of each credit and each deduction allowed under this act and a reference to a detailed explanation.

(7) The department shall post the list described in subsection (6) on the department's official website.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1977, Act 163, Eff. Mar. 30, 1978;—Am. 1991, Act 82, Imd. Eff. July 18, 1991;—Am. 1994, Act 119, Eff. Mar. 30, 1995;—Am. 1996, Act 55, Imd. Eff. Feb. 26, 1996;—Am. 1996, Act 484, Eff. Jan. 1, 1996;—Am. 2002, Act 486, Imd. Eff. June 27, 2002.

**Compiler's note:** Subsection (1) of Section 3 of Act 484 provides:

“Section 3. (1) Sections 264, 274, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, are retroactive and effective January 1, 1996.”

**Administrative rules:** R 206.1 et seq. of the Michigan Administrative Code.

## **INCOME TAX ACT OF 1967 (EXCERPT)**

### **Act 281 of 1967**

#### **206.475 Tax imposed additional to other taxes; disposition of proceeds; allocation and distribution; contribution designation program; appropriation; children's trust fund.**

Sec. 475. (1) The tax imposed by this act is in addition to all other taxes for which the taxpayer is liable and the proceeds derived from the tax shall be credited to the general fund to be allocated and distributed as provided in this act.

(2) Each year that the contribution designation program established in section 440 is in effect, an amount equal to the cumulative designations made under section 440 less the annual amount appropriated to the department of treasury for the purpose of administering the children's trust fund and implementing section 440, shall be appropriated from the general fund to the children's trust fund in the department of treasury for use solely in support of the purposes provided in the act that created the children's trust fund.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1982, Act 211, Eff. Sept. 29, 1982;—Am. 1991, Act 82, Imd. Eff. July 18, 1991;—Am. 1996, Act 484, Eff. Jan. 1, 1996.

**Compiler's note:** Section 475 of Act 250 of 1978, purporting to amend this section, was submitted to and disapproved by the people as part of Proposal E at the general election held on November 4, 1980.

Subsection (1) of Section 3 of Act 484 provides:

“Section 3. (1) Sections 264, 274, 439, 440, 471, 475, 506, 512, 522, and 527a of Act No. 281 of the Public Acts of 1967, as amended by this amendatory act, are retroactive and effective January 1, 1996.”

## **INCOME TAX ACT OF 1967 (EXCERPT)**

### **Act 281 of 1967**

#### **206.498 Declaration of necessity.**

Sec. 498. This act is expressly declared to be necessary to meet established deficiencies, present and future, in state funds.

**History:** 1967, Act 281, Eff. Oct. 1, 1967.

## **INCOME TAX ACT OF 1967 (EXCERPT)**

### **Act 281 of 1967**

#### **206.499 Effective date; exceptions.**

Sec. 499. This act shall take effect on October 1, 1967, except sections 61 and 71 which shall take effect on January 1, 1968.

**History:** 1967, Act 281, Eff. Oct. 1, 1967;—Am. 1980, Act 169, Eff. Sept. 17, 1980.